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ELIAS C. ALVORD (1942)
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NOV 18 '05

1-00 PM

SURFACE TRANSPORTATION BOARD

OF COUNSEL
URBAN A. LESTER

November 18, 2005

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Security Agreement, dated as of November 17, 2005, a primary document as defined in the Board's Rules for the Recordation of Documents.

The name and address of the party to the enclosed document are:

Guarantor: AOE Equipment LLC
(by Oregon Rail Holdings LLC, its manager)
1200 N.W. Naito Parkway, Suite 500
Portland, Oregon 97209-2829

[Secured Parties: ORC Holdings Inc.
ORC Investments I, Inc.
C.G. Grefenstette, E.C. Johnson and Bruce I.
Crocker, Trustees U/A/T dated 8/26/68
for Henry Lea Hillman, Jr.]

Mr. Vernon A. Williams
November 18, 2005
Page 2

A description of the railroad equipment covered by the enclosed document is:

11 cars within the series AOEX 800028 - AOEX 800768 as more particularly set forth in the equipment schedule attached to the document.

A short summary of the document to appear in the index is:

Security Agreement.

Also enclosed is a check in the amount of \$33.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/anm
Enclosures

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SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

THIS SECURITY AGREEMENT (this "Agreement") is entered into as of November 17, 2005 (the "Effective Date"), by **AOE EQUIPMENT LLC** (the "Guarantor") for the benefit of **ORC HOLDINGS, INC., ORC INVESTMENTS I, INC., and C. G. GREFENSTETTE, E. C. JOHNSON AND BRUCE I. CROCKER, TRUSTEES U/A/T DATED 8/28/68 FOR HENRY LEA HILLMAN, JR.** (collectively, the "Secured Parties").

RECITALS

A. American Orient Express Railway Company LLC (the "Debtor") has executed a Secured Promissory Note (the "Note") in favor of the Secured Parties on the Effective Date. The Guarantor desires to grant the Secured Parties a first security interest in certain of the Guarantor's assets, subject only to Permitted Liens, to secure the Debtor's full and prompt performance of its Obligations.

B. The Guarantor intends that the Secured Parties have all the rights and remedies of a secured party under 49 U.S.C. § 11301 and 49 CFR Part 1177 with respect to the Collateral, together with all additional rights and remedies granted in this Agreement.

C. The Guarantor will benefit from the loan received by the Debtor from the Secured Parties pursuant to the terms of the Note in that the Debtor operates the railcars that are owned by the Guarantor and leased, pursuant to an oral lease (the "Lease"), to the Debtor (and which serve as the Collateral).

AGREEMENT

The Guarantor agrees as follows:

SECTION 1. DEFINITIONS

1.1 Definitions Generally. The terms defined in Sections 1.2–1.8 are so defined whenever used in this Agreement.

1.2 Bankruptcy Code. "Bankruptcy Code" means the Bankruptcy Code set forth in 11 U.S.C. §§ 101–1330, and as amended from time to time.

1.3 Collateral. "Collateral" means the following:

1.3.1 All of Guarantor's now owned or hereafter acquired right, title, and interest in and to certain railcars (the "Railcars"), as set forth on Schedule 1.3.1 attached hereto;

1.3.2 The Guarantor's interest as owner and as a party to the Lease; and

1.3.3 All proceeds, rents, and profits of and from the Railcars and the Lease, including (a) all rights of the Guarantor to receive proceeds of any insurance with respect to the

Railcars; and (b) all proceeds receivable or received when any or all of the Railcars is sold, exchanged or otherwise disposed of, whether voluntarily or involuntarily.

1.4 Event of Default. "Event of Default" has the meaning set forth in Section 6.

1.5 Lien. "Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, security interest, charge, or other encumbrance of any kind, whether consensual or not, or any other type of preferential arrangement that has substantially the same practical effect as a lien or a security interest, including, without limitation, any conditional sale or other title-retention agreement or the interest of a lessor under a capital lease or financing lease.

1.6 Person. "Person" means any government (or political subdivision or agency of any government) or an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture, or other entity.

1.7 Obligations. "Obligations" means all the Guarantor's obligations under this Agreement and all the Debtor's obligations under the Note, as the case may be.

1.8 Permitted Liens. "Permitted Liens" means:

- (a) Liens granted to the Secured Parties;
- (b) Liens arising by operation of law for taxes, assessments, or governmental charges not yet due;
- (c) Statutory liens of mechanics, materialmen, shippers, warehousemen, carriers, and other similar persons for services or materials arising in the ordinary course of business for which payment is not yet due; and
- (d) Nonconsensual liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, and other types of social security.

SECTION 2. GRANT OF SECURITY INTEREST

The Guarantor grants the Secured Parties a security interest in the Collateral as security for the Obligations, including but not limited to the full and prompt payment in cash by the Debtor pursuant to the terms of the Note.

SECTION 3. PERFECTION OF SECURITY INTEREST

The Guarantor hereby authorizes the Secured Parties, their representatives, agents and attorneys, to submit for recordation with the Surface Transportation Board of the Department of Transportation ("STB") such memorandum or other written evidence as may be necessary and permitted by 49 U.S.C. § 11301 and 49 CFR Part 1177 to give notice of the lien and security

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interest in the Collateral granted to the Secured Parties herein pursuant to Section 2 above. The Guarantor agrees to furnish such information and/or execute such additional documents as may be required by STB to complete such recordation promptly upon request of the Secured Parties.

SECTION 4. REPRESENTATIONS AND WARRANTIES

The Guarantor warrants and represents as follows:

4.1 The Guarantor is a limited liability company, duly organized and validly existing under the laws of Oregon.

4.2 This Agreement is the legal, valid, and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

4.3 The Guarantor's execution, delivery, and performance of this Agreement does not violate or contravene any provision of the Guarantor's articles of incorporation or operating agreement and does not violate any law or result in a breach of or constitute a default under any contract, obligation, indenture, or other instrument to which the Guarantor is a party or by which the Guarantor is bound.

4.4 The Guarantor's rights to the Collateral are free and clear of all Liens except Permitted Liens.

4.5 The Guarantor has filed all tax returns required to be filed by it and has paid all taxes and assessments required to be paid by it.

4.6 The Guarantor is in compliance in all material respects with all applicable laws.

4.7 The Guarantor maintains in full force and effect insurance of a nature and coverage customarily carried by companies of the Guarantor's size and character and engaged in the type of business in which the Guarantor is engaged.

SECTION 5. COVENANTS

Until all the Obligations have been fully satisfied and paid in cash, the Guarantor covenants that, at its expense, unless Secured Parties otherwise consent in writing:

5.1 Except for Permitted Liens, the disposition of inventory in the ordinary course of business, and the disposition of assets that have become obsolete or that are replaced in the ordinary course of business, the Guarantor will not sell, transfer, lease, or otherwise dispose of any Collateral or any interest in it, or permit or suffer any other Person to acquire any interest in any of the Collateral, and will keep the Collateral free and clear of all Liens, except Permitted Liens.

5.2 The Guarantor will pay all taxes and assessments when due.

5.3 The Guarantor will conduct its business in material compliance with all applicable laws.

5.4 The Guarantor will insure the Collateral in a manner and with companies reasonably acceptable to the Secured Parties and will provide the Secured Parties with evidence of insurance and the endorsements regarding insurance coverage reasonably requested by the Secured Parties from time to time.

5.5 The Guarantor will preserve and maintain its corporate existence, rights (charter and statutory), and all material franchises, licenses, permits, and general intangibles. The Guarantor will not change its name or place of incorporation without at least 30 days' prior written notice to the Secured Parties.

5.6 On the Secured Parties' request, the Guarantor will promptly execute and deliver to the Secured Parties all further instruments, agreements, and documents, and take all further action, that may be reasonably necessary to enable the Secured Parties to exercise and enforce their rights and remedies under this Agreement.

SECTION 6. EVENTS OF DEFAULT

Each of the following events will constitute an "Event of Default" under this Agreement:

- (a) The Guarantor or the Debtor breaches any of its respective Obligations;
- (b) Any representation or warranty made by the Guarantor in this Agreement proves to be false or misleading in any material respect when furnished or made;
- (c) The Guarantor or the Debtor becomes insolvent;
- (d) The Guarantor or the Debtor suffers or consents to or applies for the appointment of a receiver, trustee, custodian, or liquidator of itself or any material part of its property;
- (e) The Guarantor or the Debtor is generally unable or fails to pay its respective debts as they become due;
- (f) The Guarantor or the Debtor makes a general assignment for the benefit of creditors;
- (g) The Guarantor or the Debtor files a voluntary petition in bankruptcy or seeks to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Code or under any state or other federal law granting relief to debtors, whether now or hereafter in effect;
- (h) Any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable law relating to bankruptcy, reorganization, or other relief for debtors is filed or commenced against the Guarantor or the Debtor and is not dismissed, stayed, or vacated within

60 days thereafter or the Guarantor or the Debtor files an answer admitting the jurisdiction of the court and the material allegations of any such involuntary petition;

(i) The Guarantor or the Debtor is adjudicated a debtor in bankruptcy, or an order for relief is entered by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization, or other relief for debtors; or

(j) The Guarantor or the Debtor takes any company action authorizing, or in furtherance of, any of the foregoing.

SECTION 7. SECURED PARTIES' RIGHTS AND REMEDIES

7.1 During the continuance of any Event of Default, the Secured Parties may declare any or all of the Obligations to be immediately due and payable without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived by the Guarantor. In addition to any other rights and remedies contained in this Agreement, the Secured Parties will have all the rights and remedies of a secured party under the 49 U.S.C. § 11301 and 49 CFR Part 1177 and all other applicable law, and all the rights and remedies will be cumulative and nonexclusive to the extent permitted by law. The Guarantor acknowledges that portions of the Collateral may be difficult to preserve and dispose of and may be subject to complex maintenance and management; accordingly, the Secured Parties will have the widest possible latitude in exercising their rights and remedies under this Agreement.

7.2 On the occurrence of an Event of Default, the Secured Parties may cause the Collateral to remain on the Guarantor's premises, at the Guarantor's expense, pending sale or other disposition. The Secured Parties, at their discretion, may conduct sales of the Collateral on the Guarantor's premises or elsewhere, at the Guarantor's expense. On the Secured Parties' request, the Guarantor, at its own expense, will assemble the Collateral and make it available to the Secured Parties at the places reasonably designated by the Secured Parties from time to time. Any sale, lease, or other disposition of the Collateral, or any part of it, may be for cash or other value. The Guarantor will execute and deliver, or cause to be executed and delivered, all instruments, documents, assignments, deeds, waivers, certificates, and affidavits and will take all further action reasonably required by the Secured Parties in connection with any sale, lease, or other disposition of the Collateral. The Guarantor hereby appoints the Secured Parties as its attorney-in-fact to execute all such instruments, documents, assignments, deeds, waivers, certificates, and affidavits on behalf of Guarantor and in its name.

7.3 At any sale, the Collateral may be sold in one lot or in separate lots as the Secured Parties may determine. The Secured Parties will not be obligated to make any sale of any Collateral if the Secured Parties determines not to do so, regardless of the fact that notice of sale was given. The Secured Parties, without notice or publication, may adjourn any public or private sale or cause the sale to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale, without further notice, may be made at the time and place to which it was so adjourned. If any sale of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Secured Parties until the sale price is paid, but the Secured Parties will not incur any liability if any purchaser fails to pay for any Collateral so sold.

and, in the event of any such failure, the Collateral may be sold again. At any public sale, the Secured Parties may (a) bid for or purchase, free (to the extent permitted by law) from any rights of redemption, stay, or appraisal on the Guarantor's part with regard to the Collateral offered for sale, (b) make payment on account thereof by using any claim then due and payable to the Secured Parties from the Guarantor as a credit against the purchase price, and (c) on compliance with the terms of sale, hold, retain, and dispose of that property without further accountability to the Guarantor for it.

7.4 The Secured Parties are hereby granted a license and the right to use, without charge during the continuance of an Event of Default and until the Obligations are fully and finally paid in cash, the Guarantor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, advertising material, general intangibles, and other property of a similar nature in completing the production, advertising for sale, and sale of any Collateral.

7.5 Any notice required to be given by the Secured Parties that is given pursuant to Section 9.1 and deemed received pursuant to Section 9.1 at least 10 business days before a sale, lease, disposition or other intended action by the Secured Parties regarding any Collateral will constitute fair and reasonable notice to the Guarantor of that action. A public sale in the following fashion will be conclusively presumed to be reasonable:

- (a) The sale is held in a county where any part of the Collateral is located or in which the Guarantor has a place of business;
- (b) The sale is conducted by auction, but it need not be by a professional auctioneer;
- (c) The Collateral is sold as is and without any preparation for sale; and
- (d) The Guarantor is given notice of the public sale pursuant to the preceding sentence.

7.6 On the occurrence of an Event of Default, the Secured Parties will have with respect to accounts all rights and powers to:

- (a) Direct account debtors to make all payments directly to the Secured Parties or otherwise demand payment of any account;
- (b) Enforce payment by legal proceedings or otherwise;
- (c) Exercise the Guarantor's rights and remedies with respect to any actions or proceedings brought to collect any account;
- (d) Sell or assign any account on the terms, for the amount, and at any time or times that the Secured Parties deem advisable;
- (e) Settle, adjust, compromise, extend, or renew any account;

(f) Discharge or release any account; and

(g) Prepare, file, and sign the Guarantor's name on any proof of claim in bankruptcy or on any similar document against an account debtor, and to otherwise exercise the rights granted in this Agreement.

7.7 The Secured Parties will have no obligation to (a) preserve any rights to the Collateral against any Person, (b) make any demand on or pursue or exhaust any rights or remedies against the Guarantor or others with regard to payment of the Obligations, (c) to pursue or exhaust any rights or remedies with regard to any of the Collateral or any other security for the Obligations, or (d) to marshal any assets in favor of the Guarantor or any other Person against or in payment of any or all of the Obligations.

7.8 The Guarantor recognizes that federal and state securities laws and other laws may limit the flexibility desired to achieve an otherwise commercially reasonable disposition of the Collateral, and in the event of potential conflict between those laws and what in other circumstances might constitute commercial reasonableness, it is intended that consideration of the laws will prevail over attempts to achieve commercial reasonableness. In connection with any sale or other disposition of the Collateral, the Secured Parties' compliance with the written advice of their lawyers concerning the potential effect of any law will not be cause for the Guarantor, or any other Person, to claim that the sale or other disposition was not commercially reasonable.

7.9 On demand, the Guarantor will pay the Secured Parties all costs and expenses, including court costs and costs of sale, incurred by the Secured Parties in exercising any of their rights or remedies under this Agreement, together with interest at the highest rate then applicable to any of the Obligations from the date incurred until paid.

SECTION 8. WAIVERS

All the Secured Parties' rights with respect to the Collateral will continue unimpaired, and the Guarantor will be and will remain obligated in accordance with the terms of this Agreement, notwithstanding (a) any release or substitution of any Collateral or other security for the Obligations, (b) any failure to perfect the Secured Parties' interest in the Collateral or other security, or (c) any delay, extension of time, renewal, compromise, or other indulgence granted by the Secured Parties in reference to any Obligations. The Guarantor waives all notice of any such delay, extension, release, substitution, renewal, compromise, or other indulgence, and consents to be bound thereby as fully and effectively as if the Guarantor had expressly agreed to them in advance. The Secured Parties' delay in exercising, or failure to exercise, any right, remedy, or option will not operate as a waiver by Secured Parties of their right to exercise any such right, remedy, or option. To the extent permitted by law, the Guarantor waives all rights of redemption, stay, and appraisal that the Guarantor now has or may at any time in the future have under any applicable law. No waiver by the Secured Parties will be effective unless it is in writing and then only to the extent specifically stated. The Secured Parties' rights and remedies will be cumulative and not exclusive of any other right or remedy that the Secured Parties may have.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1 Notices. All notices and other communications under this Agreement must be in writing and will be deemed to have been given if delivered personally, sent by facsimile (with confirmation), mailed by certified mail, or delivered by an overnight delivery service (with confirmation) to the parties at the following addresses or facsimile numbers (or at such other address or facsimile number as a party may designate by like notice to the other parties):

To AOE Equipment LLC:

1200 NW Naito Parkway, Suite 500

Portland, OR 97209-2829

Attention: Townsend E. Carman

Facsimile No.: (503) 226 - 8128

With a copy to: Mark von Bergen, Holland & Knight LLP, 111 SW Fifth Ave.,

Suite 2300, Portland, OR 97204, Facsimile No.: (503) 241 - 8014.

Any notice or other communication will be deemed to be given (a) on the date of personal delivery, (b) at the expiration of the third day after the date of deposit in the United States mail, or (c) on the date of confirmed delivery by facsimile or overnight delivery service.

9.2 Construction. The captions used in this Agreement are provided for convenience only and will not affect the meaning or interpretation of any provision of this Agreement. All references in this Agreement to "Section" or "Sections" without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the words *include* or *including* are used in this Agreement, they will be deemed to be followed by the words *without limitation*.

9.3 Amendments. This Agreement may be amended only by an instrument in writing executed by all the parties, which writing must refer to this Agreement.

9.4 Severability. If any provision of this Agreement is invalid or unenforceable in any respect for any reason, the validity and enforceability of such provision in any other respect and of the remaining provisions of this Agreement will not be in any way impaired.

9.5 Entire Agreement. This Agreement, including the documents and instruments referred to in this Agreement, constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

9.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the state of Oregon, without regard to conflict-of-laws principles thereof; provided that federal statutes and regulations governing the ownership, registration, use, operation, maintenance, financing and sale of the Railcars shall be applicable and controlling to the extent necessary and appropriate for enforcement of the terms hereof.

9.7 Enforcement. Any one Secured Party may enforce the Obligations on behalf the Secured Parties if authorized to do so by the Secured Parties.

IN WITNESS WHEREOF, the Guarantor has signed this Security Agreement as of the date first written above.

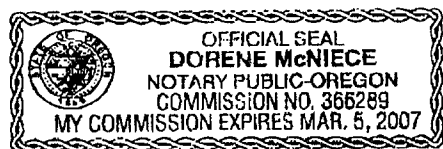
AOE EQUIPMENT LLC

**By: Oregon Rail Holdings LLC,
Its Manager**

**By: J. E. Carman
Townsend E. Carman, President**

STATE OF OREGON)
) ss
COUNTY OF MULTNOMAH)

On this 17th day of November, 2005, before me personally appeared Townsend E. Carman, to me personally known, who being by me duly sworn, says: that he is duly authorized to sign the attached Security Agreement on behalf of AOE Equipment LLC, and that said instrument was signed on behalf of AOE Equipment LLC, and he acknowledged that the execution of the foregoing instrument was the free act and deed of AOE Equipment LLC.



3381737_v1

Dorene McNiece
Notary Public
My Commission Expires: 3/5/07

SCHEDULE 1.3.1

Car Number	Car Name	Model Year	Description
AOEX 800668	Grand Canyon (x2235)	1956	Crew Sleeper
AOEX 800715	Los Angeles	1950	Baggage/Laundry
AOEX 800743	Copper Canyon (x-9302)	1955	Great Dome/Observation
AOEX 800755	Yellowstone Park	1952	Crew Sleeper
AOEX 800768	Santa Fe	1956	Pullman Sleeper
AOEX 800028	Tallahassee	1956	Crew Sleeper
AOEX 800255	Berlin	1950	Pullman Sleeper
AOEX 800742	New Orleans (x-10030)	1955	Great Dome/Observation
AOEX 800757	Montreal (x2234)	1956	Pullman Sleeper
AOEX 800764	Vancouver (fixed to Jasper)	1954	Galley Car
AOEX 800765	Jasper (fixed to Vancouver)	1954	Diner

CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: _____

11/18/05



Robert W. Alvord